

2007 Natural Heritage Preservation Credit**3503****Important: Attach to your California tax return.**

Name(s) as shown on your California tax return

☐ SSN or ITIN ☐ Corporation no. ☐ FEIN

Secretary of State (SOS) file number

Part I Wildlife Conservation Board (WCB) Qualified Contribution

Donor's name as shown on certificate	Type of donated property	Date donation was accepted	Fair market value
Project name			WCB ID#

Part II Credit Computation

1 Fair market value from Part I	1 _____	00
2 Multiply the amount on line 1 by 55% (.55)	2 _____	00
3 Pass-through natural heritage preservation credit(s) from Schedule K-1 (100S, 541, 565, or 568).	3 _____	00
4 Total current year natural heritage preservation credit. Add line 2 and line 3.	4 _____	00
5 Credit carryover from 2006. See instructions	5 _____	00
6 Total available natural heritage preservation credit. Add line 4 and line 5	6 _____	00
7 Enter the amount of credit claimed on your current tax return. This amount may be less than the amount on line 6, if your credit is more than your tax liability. See instructions	7 _____	00
8 Credit carryover available for future years. Subtract line 7 from line 6	8 _____	00

What's New

Round Cents to Dollars – Beginning with the 2007 tax forms, round cents to the nearest whole dollar. For example, round \$50.50 up to \$51 or round \$25.49 down to \$25.

General Information

The California Personal Income Tax Law and Corporation Tax Law allows a nonrefundable credit for certain approved contributions of real property. This credit can be used by taxpayers against the net tax in an amount equal to 55% of the fair market value of a qualified contribution that has been approved for acceptance by the Wildlife Conservation Board (WCB).

The funding for the Natural Heritage Preservation Credit is available beginning January 1, 2005, until June 30, 2008.

A Purpose

Use form FTB 3503, Natural Heritage Preservation Credit, to figure the amount of the credit. Also, use this form to claim pass-through credits received from S corporations, estates or trusts, partnerships, or limited liability companies (LLCs) classified as partnerships.

S corporations, estates or trusts, partnerships, and LLCs classified as partnerships should complete form FTB 3503 to figure the amount of credit to pass through to shareholders, beneficiaries, partners, or members. **Attach this form** to Form 100S, Form 541, Form 565, or Form 568. Show the pass-through credit for each shareholder, beneficiary, partner, or member on Schedule K-1 (100S, 541, 565, or 568).

B Description

The WCB implemented a program for the protection of wildlife habitat, open space, and agricultural lands. Under this program, property can be contributed to the state, any local government, or to any nonprofit organization designated by a local government, based on specified criteria.

The credit is allowed against net tax, in an amount equal to 55% (.55) of the fair market value of any qualified contribution made by the taxpayer to the state, any local government, or any designated nonprofit organization.

C Qualifications

To qualify for this credit:

- Make a contribution of property as defined in Section 37002 of the Public Resources Code.
- The WCB approves the contribution for acceptance.
- **Attach** a copy of this completed form FTB 3503 to your California tax return.

For more information regarding qualified contributions, contact the WCB at (916) 445-8448, or go to their Website at **www.wcb.ca.gov**.

The credit of any qualified contribution passes through to partners, shareholders, beneficiaries, or members of the pass-through entity in accordance with their pro rata interest in the entity as of the date of the qualified contribution. The term "pass-through entity" means any partnership, S corporation, or LLC classified as a partnership.

D Limitations

No credit will be allowed unless you received a certificate from the WCB, which shows that your qualified contribution was approved for acceptance. You must retain the certificate and make it available to the Franchise Tax Board upon request. S corporations may claim only 1/3 of the credit against the 1.5% entity-level tax (3.5% for financial S corporations). The remaining 2/3 must be disregarded and may not be used as a carryover. In addition, S corporations may pass through 100% of the credit to their shareholders.

If a taxpayer owns an interest in a disregarded business entity [a single member limited liability company (SMLLC) not recognized by California, and for tax purposes is treated as a sole proprietorship owned by an individual or a branch owned by a corporation] the credit amount received from the disregarded entity that can be utilized is limited to the difference between the taxpayer's regular tax figured with the income of the disregarded entity, and the taxpayer's regular tax figured without the income of the disregarded entity.

An SMLLC may be disregarded as an entity separate from its owner, and is subject to statutory provisions that recognize otherwise disregarded entities for certain purposes, for example:

- The tax and fee of an LLC
- The return filing requirements of an LLC
- The credit limitations previously mentioned

Get Form 568, Limited Liability Company Tax Booklet, for more information.

If the disregarded entity reports a loss, the taxpayer may not claim the credit this year but can carry over the credit amount received from the disregarded entity to the next succeeding taxable year.

This credit cannot reduce the regular tax below the minimum franchise tax (corporations and S corporations), annual tax (limited partnerships, limited liability partnerships, and LLCs classified as a partnership), the alternative minimum tax (corporations, exempt organizations, individuals, and fiduciaries), the built-in gains tax (S corporations), or the excess net passive income tax (S corporations).

This credit can reduce regular tax below TMT. See Schedule P (100, 100W, 540, 540NR, or 541) for more information.

This credit is in lieu of any other state tax credit or deduction that the taxpayer would otherwise be allowed for the contributed property or interest therein.

This credit is not refundable.

E Carryover

If the available credit exceeds the current year tax liability the unused credit may be carried over to the following year and the succeeding seven years if necessary, until the credit is exhausted. Apply the carryover to the earliest taxable year(s) possible. This credit cannot be carried back and applied against a prior years tax.

Specific Line Instructions

Part I

Enter the following information from the certificate you received from the WCB:

- Name of donor
- Type of property donated
- Date donation was accepted
- Approved fair market value amount
- Project name
- WCB ID #

If you have more than one qualified contribution, figure each contribution on a separate form FTB 3503.

Part II

Line 5

Enter the carryover amount from your 2006 form FTB 3503.

Line 7

The amount of this credit that you may claim on your tax return may be limited. Refer to the credit instructions in your tax booklet for more information. The instructions also explain how to claim this credit on your tax return. Use credit code number **213** when you claim this credit.